United Nations E/CN.7/2001/10

Economic and Social Council

Distr.: General
7 March 2001

Original: English

Commission on Narcotic Drugs
Forty-fourth session
Vienna, 20-29 March 2001
Item 10 of the provisional agenda*
Administrative and budgetary questions

Fund of the United Nations International Drug Control Programme

Proposed revised biennial support and programme budget for 2000-2001 and proposed outline for 2002-2003

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Executive Director of the United Nations International Drug Control Programme (UNDCP) on the proposed revised biennial support and programme budget for 2000-2001 for the Fund of UNDCP (E/CN.7/2001/9) and on the proposed outline for 2002-2003 for the Fund of UNDCP (E/CN.7/2001/8). During its consideration of the reports, the Committee exchanged views with the Executive Director and other senior officials of UNDCP and of the United Nations Office at Vienna, who provided additional information.

Income and expenditure projections for the biennium 2000-2001

2. As indicated in paragraph 6 and table 1 of the report of the Executive Director (E/CN.7/2001/9), revised total income estimates for 2000-2001 amount to 144.2 million United States dollars ($), which reflects a reduction of $11.8 million, compared to the initial estimates of $156 million. The bulk of the reduction falls under general-purpose income ($9.9 million) and the balance of $1.9 million falls under special-purpose income. The Committee notes from table 2 of the report that the revised income

* E/CN.7/2001/1.

V.01-81457 (E) 130301 140301

estimates for the Fund reflect a reduction in contributions to both general- and special-purpose funds in comparison not only with the initial estimates for the biennium 2000-2001 but also with the biennium 1998-1999.

3. Taking into account the rather significant decrease in income (31.8 per cent) compared to the initial budget for 2000-2001, the Committee notes with concern what appears to be an overly positive description of income in paragraph 6 of the report of the Executive Director (E/CN.7/2001/9). The Committee points out that in order to get a comprehensive picture of the income situation of the Fund, the information contained in paragraph 6 of the report should be read in conjunction with income information contained in paragraph 28, where it is stated, inter alia, that total income is "increasingly dependent upon cost-sharing contributions, which are expected to more than double in 2000-2001, and which are generated by ongoing cost-sharing projects in Latin America. The increase in cost-sharing contributions will be largely offset by a 6.8 per cent decrease in voluntary contributions in 2000-2001, compared to 1998-1999. The decrease in special-purpose voluntary contributions results from current resource allocation trends in funding major alternative development projects mainly in Afghanistan, Myanmar and Peru. General-purpose income is also expected to decrease in 2000-2001 by 9.7 per cent, mainly as a result of a sharp decline in the fund balance, which attracts less interest, and also because of a 5.4 per cent drop in voluntary contributions as a result of adverse exchange rate movements."

4. According to paragraph 37 of the report, the increase in cost-sharing contributions (107.6 per cent over the actual income for the biennium 1998-1999) is the result of arrangements worked out in connection with loans taken by the Governments concerned from multilateral lending institutions. The Committee is of the view that the budget document (E/CN.7/2001/9) should have provided information on UNDCP efforts in attracting voluntary contributions. The Committee requests that such information be provided in future budget presentations.

5. Moreover, the Committee notes with concern that the report does not seem to suggest effective proposals that could address the problem of a continued low level of general-purpose income; instead, the idea previously reflected in document E/CN.7/1999/17, paragraph 16, that "the need for a better balance between general- and special-purpose income is urgently required in order to respond quickly and flexibly to new programme challenges and opportunities, as well as to sustain a minimum level considered necessary for the biennial support budget" is also reiterated, verbatim, in paragraph 7 of the report of the Executive Director (E/CN.7/2001/9). The Committee is of the view that one means of addressing the imbalance would be for the introduction of greater precision in the formulation of a core programme to be approved as such by the Commission on Narcotic Drugs.

6. Revised total expenditures are projected at $187.6 million for the biennium 2000-2001, reflecting a decrease of 6.2 per cent, as compared with the initial estimate of $200 million. Revised programme expenditure projections amount to $148.3 million, or 5.5 per cent lower as compared with the initial estimate of $157 million. Revised estimates for agency programme support are projected at $4 million, or 41.1 per cent lower as compared with the initial estimate of $6.8 million, and the revised biennial support budget amounts to $35.2 million as compared with the initial biennial support budget of $36.2 million. The fund balance will be reduced from $67.3 million as of 31 December 1999 to $53.6 million as of 31 December 2001. The Committee recommends that the adequacy of maintaining the operational reserve at the current level of $12 million be reviewed, should that trend continue. The Committee also requests that the budget documents for UNDCP contain background information on the operational reserve.

7. The Committee recalls that in paragraph 35 of its report contained in document A/55/487, it made a recommendation that the General Assembly defer action on the financial statements of UNDCP for the period ended 31 December 1999, pending satisfactory measures by the administration of UNDCP. The Committee is awaiting certification by the Board of Auditors that the matter has been resolved or that satisfactory progress is being made towards removing the reasons for the qualified opinion.

Proposed revised biennial support and programme budget for 2000-2001

8. The Advisory Committee welcomes the changes in the format of the revised budget for 2000-2001

(E/CN.7/2001/9), which now contains the biennial support and programme budgets in one document, with a comprehensive executive summary (part one) and a review of the financial situation (part two) included for both budgets. At the same time, the Committee is of the view that the format of the biennial support and programme budget needs to be further improved, for example, by avoiding, to the extent possible, the inclusion of essentially identical information in various parts of the budget document (see, for example, paragraphs 14, 18, 20 and 216 of document E/CN.7/2001/9).

9. The Committee shares the view of the Executive Director on the fragmentation of UNDCP activities and on the need to concentrate on areas of intervention where UNDCP has the greatest comparative advantages. In that connection, the Committee welcomes the statement in paragraph 16 of the report of the Executive Director (E/CN.7/2001/9) that UNDCP reduced the number of projects from 260 in 2000 to 150 in 2001, and consolidated the latter into 8 national, 13 regional and 4 global programmes with clearly identified subprogrammes along the four thematic areas.

Support budget

10. As indicated in paragraphs 8 and 45 of document E/CN.7/2001/9, the proposed revised biennial support budget amounts to $35.2 million for 2000-2001, a decrease of $0.9 million compared to the initial support budget. The overall decrease of $0.9 million reflects a volume decrease ($0.7 million) and a costing reduction ($0.2 million) compared to the initial budget. The Committee notes from paragraph 46 of the report that the overall volume decrease of $0.7 million reflects a volume decrease of $1.3 million at the country level partially offset by a volume increase of $0.6 million at headquarters, of which $0.3 million is in management and administration and $0.3 million is for programme support.

11. As reflected in table 1 of the report, the revised estimates for programme support at the field level and at headquarters show marginal variances compared with the initial budget, while those for agency support reflect a decrease from 3.4 to 2.2 per cent. The decrease, as indicated in paragraph 48 of the report, reflects "a planned shift from agency execution of projects to UNDCP in order to achieve a more cost-effective execution of programme activities." The Committee is of the view that this shift in project execution should be closely monitored and its cost-effectiveness thoroughly analysed.

12. Information on changes in resource requirements and staffing for the country and regional offices of UNDCP is contained in paragraphs 49 to 81 of the report of the Executive Director (E/CN.7/2001/9). The Committee is of the view that data on country and regional offices contained in various tables of the report should not be, to the extent possible, duplicated in its text. The Committee notes from paragraph 50 of the report that representatives at the country level "have been vested with full authority and responsibility for programmes, including programme development; elaboration and revision of projects; monitoring programme delivery; and reporting on programme implementation." As indicated in paragraph 51 of the report, the United Nations Development Programme (UNDP) acts as the UNDCP administration at the country level on the basis of the working arrangement concluded between the two organizations. The Committee notes that with effect from the biennium 2000-2001, the reimbursement to UNDP for administrative services provided to UNDCP field offices is shown in the budget apportionment of each field office.

13. With regard to the volume increase in management and administration ($0.3 million), the Committee notes from paragraph 11 of the report that the increase "is intended to strengthen those areas likely to have the widest positive impact, such as external relations, inter-agency cooperation and human resources training and development."

14. The Committee notes that the revised staffing requirements for the biennial support budget for 2000-2001 provide for a net decrease of 16 posts at the field level, a net increase of three posts in programme support at headquarters level a net increase of one post for management and administration. In addition, there are eight reclassifications and upgradings, as reflected in the table below.

Table
Reclassification and upgradings pursuant to the revised biennial support budget for 2000-2001

From	*To*	*Organizational unit*	*Reference paragraphs in document E/CN.7/2001/9*
1 P-5	1 D-1	Sub-Saharan Africa	55
1 P-5	1 D-1	Regional Office for Southern Africa	59
1 D-2	1 D-1	Latin America and the Caribbean (Colombia)	75, 79
1 D-1	1 P-5	Latin America and the Caribbean (Brazil)	75, 78
1 P-3	1 P-4	Latin America and the Caribbean (Brazil)	75, 78
1 P-5	1 D-1	Operations Branch, headquarters	82, 84
1 P-3	1 P-4	Operations Branch, headquarters	82, 84
1 D-1	1 D-2	Division for Treaty Affairs and Support to Drug Control Organs	86, 90

It is not customary for the Advisory Committee to consider proposals for reclassifications in the context of revised budgets. The Committee will revert to the issue of the above-mentioned reclassifications and upgradings in the course of its review of the proposed UNDCP budget for 2002-2003. At that time, it will be in a position to consider the proposals reflected in the table on the basis of full justification in the context of the complete UNDCP budget submission.

15. The Committee sought clarification in respect of the statement in paragraph 12 of the report that headquarters-executed global projects "are being redesigned and rationalized in order to decentralize resources to the field in the programme budget, and at the same time reduce the burden on general-purpose resources currently financing project posts at headquarters." The Committee was informed that the redesigning and rationalizing of headquarters-executed global projects is elaborated and reflected in changes to the following programmes and projects:

(a) *Global Programme against Money Laundering*. There is a reduction of three posts at the "L" level as a result of an innovative, internal restructuring of the Global Programme against Money Laundering;

(b) *Illicit crops monitoring programme*. One L-3 post is decentralized to the ongoing alternative development project in Myanmar under the same thematic area of elimination of illicit crops, the purpose being to strengthen field operations in the key poppy-growing State of Wa in Myanmar;

(c) *Demand Reduction Section, Supply Reduction and Law Enforcement Section, Research Section and Scientific Section of the Policy Development and Analysis Branch*. A review was carried out in 2000 to rationalize project execution. The process involved assessing the total resources budgeted for each section—whether from the support, regular or programme budgets—against their objectives and outputs. The result is a reduction of six L posts and two General Service posts in the revised programme budget

Programme budget

16. The proposed revised programme budget amount to $148.3 million, a decrease of $8.7 million compared to the initial programme budget of $157 million for 2000-2001. As indicated in paragraph 20 of the report of the Executive Director (E/CN.7/2001/9), with full funding expected to be confirmed only by mid-2001, some delays in project implementation are likely, resulting in lower expenditures of $118.6 million for the biennium 2000-2001. That would reflect a programme delivery rate of 80 per cent, compared with the delivery rate of 85 per cent for the biennium 1998-1999. The Committee trusts that the programme delivery rate will be closely monitored and that the necessary action will be taken should the rate fall below the current estimate of 80 per cent.

17. The Committee notes from paragraph 22 of the report of the Executive Director that following its previous recommendation, the Fund has moved away from the idea of establishing standing panels of experts for each thematic area. UNDCP will instead implement a more flexible approach, one that strengthens ongoing evaluation at the project level, and focuses also on specific country or subregional programmes, or on technical issues when required.

18. With respect to the implementation by UNDCP of results-based budgeting, the Committee understands that the concept will be taken into account during the preparation of the proposed budget for the biennium 2002-2003 (see document E/CN.7/2001/9, para. 24).

19. Subject to its recommendation under paragraph 14 above, the Advisory Committee recommends the adoption of the draft resolution contained in part one, section II, of document E/CN.7/2001/9.

Proposed outline for 2002-2003

20. The proposed budget outline for the biennium 2002-2003 amounts to $198.2 million, reflecting an increase of $10.6 million compared to the proposed revised budget of $187.6 million for 2000-2001. The overall increase of $10.6 million reflects a volume increase of $0.8 million and a cost increase of $9.8 million. As indicated in table A-3 of document E/CN.7/2001/8, for the biennium 2002-2003, the Executive Director estimates total income of $152.5 million, or 5.7 per cent higher than the income projection of $144.2 million for 2000-2001. The expenditure projection for 2002-2003 amounts to $165.8 million, or 4.9 higher than the expenditure projection of $157.9 million for 2000-2001. Accordingly, the fund balance is expected to decline from $53.6 million as of 31 December 2001 to $40.4 million as of 31 December 2003. The operational reserve will be maintained at the level of $12 million.

21. The report on the proposed outline for 2002-2003 for the Fund of UNDCP (E/CN.7/2001/8) presents the initiatives of the Executive Director in meeting the goals and targets agreed upon at the twentieth special session of the General Assembly, devoted to countering the world drug problem together. Priorities receiving special attention are listed in paragraph 2 of the report.

22. The Advisory Committee welcomes the format of the budget outline, in particular, its presentation along the four main thematic areas of activity, together with programme support, management and administration. However, in the view of the Committee, further refinement is needed in the budget presentation of UNDCP activities at the global, regional and national levels. Moreover, information currently presented in the annex to document E/CN.7/2001/8 could be shortened and incorporated into part one of the outline.

23. The Advisory Committee recommends the adoption of the draft resolution contained in part one, section II, of document E/CN.7/2001/8.